

# **City of Dearborn Heights, Michigan**

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**Reissued  
Federal Awards with  
Supplemental Information  
June 30, 2006**

# City of Dearborn Heights, Michigan

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## Independent Auditor's Report

To the Mayor and City Council  
City of Dearborn Heights, Michigan

We have audited the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn Heights, Michigan for the year ended June 30, 2006 and have issued our report thereon dated October 5, 2006. Those basic financial statements are the responsibility of the management of the City of Dearborn Heights, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn Heights, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 5, 2006

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Mayor and City Council  
City of Dearborn Heights, Michigan

We have audited the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn Heights, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Dearborn Heights, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Dearborn Heights, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Mayor and City Council  
City of Dearborn Heights, Michigan

This report is intended solely for the information and use of the audit committee, the city council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moreau, PLLC*

October 5, 2006

**Report on Compliance with Requirements Applicable to Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

To the Mayor and City Council  
City of Dearborn Heights, Michigan

**Compliance**

We have audited the compliance of the City of Dearborn Heights, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The major federal programs of the City of Dearborn Heights, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dearborn Heights, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn Heights, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dearborn Heights, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dearborn Heights, Michigan's compliance with those requirements.

In our opinion, the City of Dearborn Heights, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-1.

To the Mayor and City Council  
City of Dearborn Heights, Michigan

## **Internal Control Over Compliance**

The management of the City of Dearborn Heights, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn Heights, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the audit committee, the city council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 19, 2008

# City of Dearborn Heights, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development - Community Development Block Grant Program:		
2002 program year	14.218	\$ 23,435
2003 program year	14.218	16,326
2004 program year	14.218	903,622
2005 program year	14.218	<u>507,068</u>
Total U.S. Department of Housing and Urban Development		1,450,451
U.S. Environmental Protection Agency - Passed through Wayne County, Michigan - Rouge River National Wet Weather Demonstration Project - Phase II Combined Sewer Overflow Design and Construction	66.606	664,560
U.S. Department of Homeland Security - Passed through the State of Michigan - State Homeland Security Grant Program Part II Cert - DAP Grant	97.004	15,604
U.S. Elections Assistance Commission - Passed through the State of Michigan - Help America Vote Act	39.011	<u>225,960</u>
Total federal awards		<u><b>\$ 2,356,575</b></u>



# City of Dearborn Heights, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dearborn Heights, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Description	Amount Provided to Subrecipients
Community Development Block Grant	14.218	First Step	\$ 11,178
Community Development Block Grant	14.218	Lutheran Social Service	2,500
Community Development Block Grant	14.218	Vista Maria	2,500
Community Development Block Grant	14.218	Wayne Metro Action Agency	2,500
Total subrecipient awards			<u>\$ 18,678</u>

### Note 3 - Reissued Audit Report

The original audit of federal awards for the City was dated October 5, 2006. The schedule of expenditures of federal awards included in the original audit report did not include expenditures for the Rouge River National Wet Weather Demonstration Project (CFDA #66.606) and the Help America Vote Act (CFDA #39.011). These expenditures were subsequently identified, evaluated for testing, and included in this reissued audit report.

# The City of Dearborn Heights

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants
66.606	Rouge River National Wet Weather Demonstration Project

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

# The City of Dearborn Heights

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference Number	Findings
2006-1	<p><b>Program Name</b> - Rouge River National Wet Weather Demonstration Project, CFDA #66.606, U.S. Environmental Protection Agency; U.S. Elections Commission, Help American Vote Act, CFDA #39.011</p> <p><b>Pass-through Entity</b> - Wayne County, Michigan</p> <p><b>Finding Type</b> - Material noncompliance; material weakness in internal control over compliance</p> <p><b>Criteria</b> - OMB Circular A-133 requires reporting of all expenditures from federal sources on the schedule of expenditures of federal awards (SEFA).</p> <p><b>Condition</b> - The City did not include the 2006 Wet Weather grant expenditures on the SEFA.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Cause and Effect</b> - The City believed that the Wet Weather Grant was funded by the State. As a result, it did not include the grant expenditures on the SEFA.</p> <p><b>Recommendation</b> - The City should put a control in place to review grant contracts to properly identify the funding source. Federal grant expenditures should be tracked throughout the year to ensure completeness of the SEFA.</p> <p><b>Auditee Response</b> - The City will put control procedures in place to ensure that the SEFA is complete.</p>